

3 Financial Gifts to Give This Holiday Season

What do you give the person who has everything? How about money? Here are three ways to do it right.



Everyone seems to have a difficult person on their holiday shopping list. It could be someone who has very particular tastes or a relative who already owns everything he wants. Instead of spending hours at the mall or online searching for the perfect item, an easier option may be to give the gift of money. However, rather than fork over cash, which can make some recipients uncomfortable, try these three options instead.

Charitable donation. Giving a cash contribution to a person's favorite charity is one way to provide a thoughtful gift for the difficult-to-buy-for recipient on your list. As an added benefit, money given to qualified charities may also be written off on your taxes if you itemize deductions.

However, for some people with IRAs or stocks, there may be better ways to give a charitable gift on someone's behalf and save money on taxes. One option is to give appreciated stock, according to Trey Smith, senior vice president at SunTrust. "This gives the opportunity to gift some stock to charity and avoid capital gains," he says. It typically only makes sense if someone is planning to donate \$1,000 or more, and not every charity is equipped to accept a gift of stock.

Another option is available to retirees with traditional IRAs. After age 70 1/2, the government requires account holders to take out a required minimum distribution, or RMD, which is taxed at

a person's normal tax rate. Since not all retirees need this money, they can avoid the taxes by having the money donated directly from their IRA to a charity. "In my opinion, it's one of the best ways for those who are charitably inclined to meet their RMD," Smith says. To ensure the transaction goes smoothly and you receive all possible tax benefits, Smith suggests conferring with a tax preparer or financial planner before making the gift.

Stocks. Although there are no guarantees, the gift of stock could be a present that keeps giving for years to come. It also may be a bit more interesting than a \$20 bill slipped inside a card. "Because stock is a dynamic thing, it's an engaging gift," says Avi Lele, CEO and co-founder of Stockpile.

While you could buy an individual stock and present that to the recipient, Lele thinks he has a better idea. His company, Stockpile, offers gift cards that can be redeemed for fractional shares of stock. That way someone can own a part of Google even if they don't have \$795 to buy a single share of Alphabet Inc., the company that owns the search engine giant. The gift cards can be purchased online or physical cards are available in retail stores such as Target, Office Max and Sam's Club. "Giving someone the future is always a great gift," Lele says of the potential benefits of stock. He notes a quarter of Stockpile accounts are opened by kids and teens who seem to enjoy purchasing stock in their favorite companies and then tracking its progress. As with any brokerage firm, there is a transaction cost for purchases on Stockpile. However, the upfront cost is factored into the initial purchase price so recipients don't have to pay anything when redeeming a gift card.

College fund. Making a donation to a college fund is a tried and true Christmas gift in many households. However, forget the traditional savings bonds, which will earn a paltry 0.10 percent interest for Series EE bonds purchased between Nov. 2016 and April 2017. Instead, make a contribution to a 529 plan on behalf of the college-bound people in your life. "Instead of a blue sweater, you could give a check for college," says Curtis Loftis, the State Treasurer of South Carolina. "I think the greatest gift that anyone can give another is the gift of higher education." It's a gift that may come with tax benefits for both the giver and receiver. Money deposited in a 529 plan grows tax-free and can be withdrawn tax-free if used for qualified higher education purchases. Some states, like South Carolina, also allow the giver to take a state income tax deduction on their contribution.

Each state has its own 529 plan, and the details for how to give a gift contribution can vary, but many plans are working to simplify the process. South Carolina, for example, has set up a website at FutureScholar.com, where families can send invites to family members who may want to make a contribution. Or, if a relative wants to give to someone who doesn't already have an account, the site allows visitors to print up a gift certificate that can be mailed to the recipient along with a check to be used as their initial deposit.

As for the idea that giving a financial gift is boring, Loftis says, "Most children in America are going to get plenty of trinkets." Rather than add to the clutter, give them a gift that has the potential to change their lives.

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